



FEDERAL TAX WEEKLY

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Wolters Kluwer Projects Inflation Amounts for 2027

Annual inflation-adjusted amounts for tax year 2027 are projected by Wolters Kluwer. The projected amounts include 2027 tax brackets, the standard deduction, and alternative minimum tax amounts, among others. The projected amounts are based upon Consumer Price Index figures released by the U.S. Department of Labor on September 11, 2026. Note that due to the shutdown of the federal government in 2025, official CPI amounts for October 2025 were never released. As a result, these projections are based on an 11-month average of CPI for the period beginning September 2025 through August 2026.

Official amounts for 2027 should be released by the IRS later in 2026.

Individual Tax Brackets

The projected bracket ranges for individuals in 2027 are as follows.

For married taxpayers filing jointly:

- The 10% bracket applies to taxable incomes up to \$25,600
- The 12% bracket applies to taxable incomes over \$25,600 and up to \$104,050
- The 22% bracket applies to taxable incomes over \$104,050 and up to \$218,250
- The 24% bracket applies to taxable incomes over \$218,250 and up to \$416,650
- The 32% bracket applies to taxable incomes over \$416,650 and up to \$529,100
- The 35% bracket applies to taxable incomes over \$529,100 and up to \$793,650
- The 37% bracket applies to taxable incomes over \$793,650

For heads of households:

- The 10% bracket applies to taxable incomes up to \$18,250
- The 12% bracket applies to taxable incomes over \$18,250 and up to \$69,650
- The 22% bracket applies to taxable incomes over \$69,650 and up to \$109,100
- The 24% bracket applies to taxable incomes over \$109,100 and up to \$208,300
- The 32% bracket applies to taxable incomes over \$208,300 and up to \$264,550
- The 35% bracket applies to taxable incomes over \$264,550 and up to \$661,350
- The 37% bracket applies to taxable incomes over \$661,350

For unmarried taxpayers:

- The 10% bracket applies to taxable incomes up to \$12,800
- The 12% bracket applies to taxable incomes over \$12,800 and up to \$52,025
- The 22% bracket applies to taxable incomes over \$52,025 and up to \$109,125
- The 24% bracket applies to taxable incomes over \$109,125 and up to \$208,325
- The 32% bracket applies to taxable incomes over \$208,325 and up to \$264,550
- The 35% bracket applies to taxable incomes over \$264,550 and up to \$661,375
- The 37% bracket applies to taxable incomes over \$661,375

For married taxpayers filing separately:

- The 10% bracket applies to taxable incomes up to \$12,800
- The 12% bracket applies to taxable incomes over \$12,800 and up to \$52,025
- The 22% bracket applies to taxable incomes over \$52,025 and up to \$109,125

- The 24% bracket applies to taxable incomes over \$109,125 and up to \$208,325
 - The 32% bracket applies to taxable incomes over \$208,325 and up to \$264,550
 - The 35% bracket applies to taxable incomes over \$264,550 and up to \$396,825
 - The 37% bracket applies to taxable incomes over \$396,825
- For estates and trusts:
- The 10% bracket applies to taxable incomes up to \$3,400
 - The 24% bracket applies to taxable incomes over \$3,400 and up to \$12,100
 - The 35% bracket applies to taxable incomes over \$12,100 and up to \$16,500
 - The 37% bracket applies to taxable incomes over \$16,500

Standard Deductions

For 2027, the following standard deduction amounts are projected to apply:

- For married taxpayers filing jointly, \$33,200
- For heads of households, \$24,950
- For unmarried taxpayers and well as married taxpayers filing separately, \$16,600

AMT Exemptions

For 2027, the AMT exemption amounts are projected to be:

- For married taxpayers filing jointly, \$144,700
- For unmarried individuals and heads of households, \$93,000
- For married taxpayers filing separately, \$72,350

Estate and Gift Tax

The following amounts related to transfer taxes (estate, generation-skipping, and gift taxes) are projected for 2027:

IRS Urges Workers and Employers to Review Payroll Tax Duties

The IRS encouraged workers and employers to review federal income tax withholding and payroll responsibilities ahead of National Payroll Week. The week, which was observed September 7 through 11, recognized payroll professionals and their role in helping employees receive accurate and timely pay. Meanwhile, the IRS reminded employers and payroll professionals to review payroll processes regularly and properly withhold, report, and deposit employment taxes. Employers generally must withhold federal income tax, Social Security tax, and Medicare tax and make federal tax deposits electronically. They can also electronically file employment tax returns, including Forms 940, 941, 943, 944 and 945, and should keep employment records for at least four years. In addition, employers and payroll professionals should protect payroll information by verifying changes through trusted channels, limiting access to payroll systems, using multifactor authentication, and remaining alert to phishing and credential theft.

IR 2026-105

- The gift tax annual exemption is projected to be \$20,000.
- The estate and gift tax applicable exclusion is projected to be \$15,480,000 for decedents dying in 2027.
- The exclusion for gifts made in 2027 to a spouse who is not a U.S. citizen is projected to be \$201,000.

Other Amounts

The following other amounts are also projected for 2027:

- The adoption credit for 2027 is projected to be \$18,250
- For 2027, the allowed Roth IRA contribution amount is projected to phase out for married taxpayers filing jointly with income between \$250,000 and \$260,000. For heads of household and unmarried filers, the projected phaseout range is between \$158,000 to \$173,000.
- The maximum amount of deductible contributions that can be made to an IRA is projected to be \$7,500 for 2027. Beginning in 2024 pursuant to the SECURE 2.0 Act (P.L. 117-328), the increased contribution amount for

taxpayers age 50 and over is adjusted annually for inflation. This amount is projected to be \$1,100 for 2027.

- The above-the-line deduction for traditional IRA contributions is projected to begin to phase out for married joint filers whose income is greater than \$133,000 if both spouses are covered by a retirement plan at work. If only one spouse is covered by a retirement plan at work, the phaseout is projected to begin when modified adjusted gross income reaches \$250,000. For heads of household and unmarried filers who are covered by a retirement plan at work, the 2027 income phaseout range for deductible IRA contributions is projected to begin at \$83,000.
- For 2027, the \$2,500 student loan interest deduction is projected to begin to phase out for married joint filers with modified adjusted gross income (MAGI) above \$180,000. For single taxpayers, the 2027 deduction is projected to begin to phase out at a MAGI level of over \$90,000.
- The amount of the 2027 foreign earned income exclusion under Code Sec. 911 is projected to be \$137,300.

REFERENCE KEY

USTC references are to **U.S. Tax Cases**
Dec references are to **Tax Court Reports**

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Final Regulations Issued on Car Loan Interest Deduction

T.D. 10054

The Treasury Department and IRS have finalized regulations regarding the deduction of up to \$10,000 in personal car loan interest by individuals for tax years 2025 through 2028. The regulations include provisions on information returns required to be filed by a lender or other person engaged in a trade or business who receives \$600 or more of qualified interest during the calendar year. The final regulations adopt the proposed regulations published in January 2026 (NPRM REG-113515-25), with some changes in response to public comments.

Qualified Personal Vehicle Loan Interest

For tax years beginning in 2025 through 2028, a noncorporate taxpayer may claim a deduction of up to \$10,000 for qualified personal vehicle loan interest (QPVLI) paid or accrued during the tax year on a specified passenger vehicle loan (SPVL) incurred by the taxpayer for the purchase of an applicable personal vehicle (APV) for personal use. Interest generally includes an amount paid, received, or accrued as compensation for the use or forbearance of money under the debt instrument.

The final regulations clarify that QPVLI also includes prepaid interest in the form of points and deferred or capitalized interest. In addition, QPVLI may include origination-related or financing-related charges, prepayment penalties, late-payment charges, default-related charges, and similar fees, if characterized as interest expenses for federal income tax purposes.

Secured by First Lien

Interest is QPVLI only if it is paid or accrued on debt for the purchase of an

Application Period for 2027 CAP Opens

The IRS opened applications for the 2027 Compliance Assurance Process (CAP) program for corporations, with applications accepted until October 30, 2026. Applicants will be notified in February 2027 whether they have been accepted into the program. Launched in 2005, CAP uses real-time issue resolution through transparent and cooperative interaction between large corporate taxpayers and the IRS. The program identifies and resolves tax issues before a return is filed, providing greater certainty for taxpayers while allowing the IRS to focus its resources. Applicants must have assets of \$10 million or more and must not be under investigation by or in litigation with any government agency that would limit the IRS's access to tax records. U.S. publicly traded corporations must meet SEC filing requirements. Privately held C corporations must agree to submit annual audited financial statements and unaudited quarterly financial statements, subject to the requirements described by the IRS.

IR 2026-107

APV for personal use that is secured by a first lien. The final regulations clarify that an SPVL is secured by a first lien with the first voluntary security interest recorded against the vehicle. Any involuntary liens are disregarded even if given temporary higher priority at a later date.

A vehicle may be considered secured by a first lien even if the lien has not yet been perfected or recorded due to short-term delays arising under state or local law. A vehicle may also be considered secured by a first lien where the lien is removed because the taxpayer no longer owns the vehicle but continues to be liable for the loan (repossession or insurance payout).

Purchase of Applicable Passenger Vehicle

An SPVL is qualified only to the extent the debt is incurred for the purchase of a new vehicle and any other items or amounts customarily financed in the same purchase transaction (for example, vehicle service plans, extended warranties, sales taxes, and vehicle-related fees). Any portion of a loan for items or amounts not customarily financed in the purchase is not qualified.

The taxpayer must allocate the debt on a pro rata basis. Whether items are customarily financed and directly related to the purchase of the vehicle is determined on an industry-wide basis and not on the particular financing terms. The final rules, however, expand the list of examples of

items customarily financed in an APV purchase. The regulations also maintain that debt incurred for negative equity in a prior purchased vehicle is not incurred for the purchase of an APV.

The requirement that an APV must be a new vehicle under the loan documentation refers to the lender's classification of the vehicle for purposes of its financing programs. The original use of the vehicle must commence with the taxpayer. However, original use does not commence with a dealer if the vehicle is held primarily for sale to customers in the ordinary course of its trade or business. Original use does not commence with a lessee if the lessee purchases the vehicle during or at the end of the lease term.

Information Reporting

Any lender or other person who, in the course of that trade or business, receives from any individual interest aggregating \$600 or more for any calendar year on an SPVL must report the receipt of interest on Form 1098-VLI to the IRS and the payee. The final regulations affirm that lenders are required to include only interest received on an SPVL for the purchase of an APV, the first use of which begins with the payee. This provision is required by statute and may require the lender to collect information it currently does not collect. The lender must file Form 1098-VLI for each SPVL.

Regulations Proposed on Allocation of Deductions to NCTI

Proposed Regulations, NPRM REG-117273-25

Treasury and the IRS have issued proposed regulations under Code Secs. 904 and 250 to implement changes made by the One, Big, Beautiful Bill Act (OBBBA) (P.L. 119-21). The proposed rules provide guidance on allocating deductions to Code Sec. 951A category income for foreign tax credit (FTC) purposes and to foreign-derived deduction-eligible income (FDDEI) for Code Sec. 250 purposes. The proposals focus on Code Sec. 904(b)(5), which limits the deductions that reduce section 951A category income, and make conforming changes to the section 250 regulations.

Under the proposed regulations, section 951A category income, the FTC basket associated with net CFC tested income (NCTI) (formerly global intangible low-taxed income (GILTI)) would only be reduced by: (1) the Code Sec. 250(a)(1)(B) deduction attributable to that income, (2) certain state and local income tax deductions on that income, and (3) deductions “directly allocable” to the income (Prop. Reg. §1.904(b)-4). “Directly allocable” requires a closer connection to the income than the traditional

Direct Pay Offers Free Way to Pay Federal Taxes

The IRS reminded taxpayers with bank accounts that Direct Pay can be used to pay federal taxes from a checking or savings account. The service is available on IRS.gov, and taxpayers do not need to sign in or pay fees to make one-time payments. They must answer basic questions to verify their identity, but no registration is required.

Taxpayers can use Direct Pay for balance due payments, estimated tax payments, amended return payments, extension payments, and other federal income tax payments. Business taxpayers can use Direct Pay for balance due payments, federal tax deposits, and other federal tax payments.

Direct Pay allows taxpayers to make a same-day payment or schedule a payment up to 365 days in advance. Taxpayers receive a confirmation number and can change or cancel a scheduled payment up to two business days before the payment date. Each Direct Pay payment must be less than \$10 million. Taxpayers needing to make a payment of \$10 million or more can use a same-day wire or EFTPS if already enrolled.

[IR 2026-109](#)

allocation and apportionment rules in the Code Sec. 861 regulations. The proposed regulations would identify stewardship expenses, legal and accounting fees, settlement payments, and general overhead expenses as not directly allocable. Certain Code Sec. 986(c) foreign currency losses and net operating loss deductions may be directly allocable.

Interest expense and research and experimental (R&E) expenditures are not allocated to section 951A category income. Deductions no longer allocated to section 951A category income under Code Sec. 904(b)(5) would be allocated to U.S. source income for FTC limitation purposes. The proposed regulations thus move deductions that previously reduced section 951A category income to U.S. source income, which

may increase taxpayers' foreign tax credit capacity in the section 951A basket.

The proposed regulations would make conforming changes to Reg. §1.250(b)-1, defining interest expense and research and experimental expenditures and providing that those amounts are excluded when determining deductions properly allocable to deduction-eligible income and FDDEI. The rules would also remove regulatory language tied to prior interest-allocation rules.

The proposed regulations would apply to tax years beginning after December 31, 2025. Taxpayers may rely on the proposed regulations before they are finalized if they apply them consistently and entirely. Practitioner comments are due 60 days after the proposed regulations were published in the Federal Register on September 11, 2026.

Qualified Opportunity Zone Regulations Proposed

Proposed Regulations, NPRM REG-116506-25

The IRS has released proposed regulations addressing Qualified Opportunity Zone changes made by the One Big Beautiful Bill Act (OBBBA, P.L. 119-21). The proposed regulation are generally proposed to apply on after the date of adoption as final regulations. Qualified Opportunity Zones (QOZs) are designated areas in the United States (including U.S. possessions) that offer tax benefits to investors through investments in Qualified Opportunity Funds. A Qualified Opportunity Fund

(QOF) is a domestic corporation or partnership that is (1) organized to invest in QOZ property, (2) holds at least 90% of its assets in QOZ property, and (3) self-certifies as a QOF each year.

Qualified Opportunity Zone Rules Revised by OBBBA

The OBBBA permanently extended the Qualified Opportunity Zone program, allowing for rolling, 10-year designations beginning on January 1, 2027. A new rolling gain deferral rule and a permanent

10-percent basis step-up benefit were established. In addition, stricter eligibility criteria apply to Qualified Opportunity Zone designations and a new category of a fund, Qualified Rural Opportunity Fund, was created. New reporting requirements and penalties for noncompliance were also added.

Scope of Proposed Regulations

The proposed regulations would:

- implement new statutory requirements for Qualified Opportunity Funds to file

information returns with the IRS and furnish statements to investors who dispose of investments in those entities and for Qualified Opportunity Zone businesses to furnish statements to Qualified Opportunity Funds that hold interests in them;

- clarify the applicability of penalties for the failure to file or furnish these information returns and statements; and
- clarify the Qualified Opportunity Fund self-certification rules and provide procedures for Qualified Opportunity Funds to revoke inadvertent certifications or voluntarily decertify.

Applicability Dates

The proposed regulations regarding the QOF certification and decertification requirements and QOZ business property are proposed to apply to tax years ending on or after the date of publication of a Treasury decision adopting these rules as final regulations in the Federal Register. The proposed regulations regarding information statements and information reporting penalties are generally proposed to apply to information returns and investor statements required to be filed or furnished on or after the date of publication of a Treasury decision adopting these rules as final regulations in the Federal Register.

Comments Requested

Before these proposed regulations are adopted as final, the IRS will consider timely comments. Comments may be submitted electronically via the Federal eRule-making Portal at <https://www.regulations.gov> (indicate IRS and REG-116506-25) or by mail. A telephonic public hearing has been scheduled for November 5, 2026, beginning at 10 a.m. ET. Persons who wish to present oral comments at the hearing must submit an outline of the topics to be discussed and the time to be devoted to each topic.

Certain Automatic Accounting Method Change Rules Modified

Rev. Proc. 2026-32

The IRS has modified automatic accounting method change procedures for research or experimental expenditures and certain residential construction contracts. Rev. Proc. 2026-32 modifies sections 7 and 19 of Rev. Proc. 2025-23 to reflect changes made by the One, Big, Beautiful Bill Act (OBBBA).

For research expenditures, the procedure modifies accounting method changes under Code Secs. 174 and 174A. Code Sec. 174 continues to require capitalization and 15-year amortization for foreign research expenditures. Code Sec. 174A generally

allows a current deduction for domestic research expenditures paid or incurred in tax years beginning after December 31, 2024.

The procedure revises rules governing adjustments associated with accounting method changes. It coordinates certain Code Sec. 481 adjustments with the OBBBA transition method for recovering unamortized domestic research expenditures. It also extends through tax years beginning before 2028 waivers of certain eligibility restrictions for specified automatic changes.

Further, the IRS provides automatic accounting method changes for residential

construction contracts affected by the OBBBA amendments to Code Sec. 460. Taxpayers may change from the percentage-of-completion method to an exempt contract method for qualifying contracts entered into in tax years beginning after July 4, 2025. Certain taxpayers may also change their treatment of costs under Code Sec. 263A.

The modified procedures generally apply to Form 3115, Application for Change in Accounting Method, filed after September 4, 2026. Special transition rules apply to certain previously filed Forms 3115.

IRS Provides 2026 Rate Guidance for Clean Fuel Production Credit

Notice 2026-53, IR 2026-108

The IRS has released Notice 2026-53, providing guidance on emissions rates under Code Sec. 45Z for the clean fuel production credit. The guidance addresses transportation fuel derived from animal manure and regenerative agricultural feedstock practices. It also provides the annual emissions rate table for calendar year 2026.

Under amendments made by the One, Big, Beautiful Bill Act (OBBBA), P.L. 119-21, new emissions-rate requirements

apply to transportation fuel produced after December 31, 2025. Indirect land-use-change emissions generally must be excluded, while fuels derived from specific animal manure feedstocks receive distinct emissions rates. Eligible fuel generally must also use feedstock produced or grown in the U.S., Mexico, or Canada.

For animal manure-derived fuels, taxpayers may use farm-specific prior manure management practices in determining certain emissions rates. Dairy and swine

manure are included as primary feedstocks in the 2026 emissions rate table. Further model updates covering poultry and beef manure are anticipated.

A safe harbor also applies to certain regenerative agricultural practices involving feedstocks for fuel produced in 2025. Transition guidance explains how taxpayers should apply the OBBBA amendments when an allowed methodology does not yet reflect those amendments. Notice 2026-53 is effective on and after September 8, 2026.

TAX BRIEFS

Final Partnership Adjustment

A Notice of Final Partnership Adjustment (FPA) was timely because the partnership's agreement with the IRS extended the limitations period for making partnership adjustments under Code Sec. 6235.

Katanga Properties, LLC, TC, Dec. 62,899

Gross Income

Funds received by an art dealer through an S corporation for a proposed joint acquisition and resale of artwork were includible in gross income.

Tunkl, TC, Dec. 62,900(M)

Low-Income Housing Credit

Rival developers were not entitled to challenge a housing agency's allocation of low-income housing tax credits under Code Sec. 42(m).

Summer Vista II DE, LLC, DC Guam, 2026-2 USTC ¶150,264

Offer-in-Compromise

An individual was not entitled to relief from the denial of an OIC. It was found that the magnitude of the outstanding tax liability, the substantial difference between the liability and the proposed payment, and a history of delinquent return filings supported the public policy determination.

A.J. Filipowski, CA-11, 2026-2 USTC ¶150,270

Publicly Traded Partnerships

A matching service through which limited partnership interests were bought and sold was not an established securities

market Reg. §1.7704-1(b) but it met the requirements to be a qualified matching service under Reg. §1.7704-1(g). Moreover, a partnership whose interests were posted or offered for purchase or sale on the matching service would not be considered to be publicly traded for purposes of Reg. §1.7704-1(b) solely by reason of being offered for purchase or sale and/or sold through the matching service.

IRS Letter Ruling 202636011

Tax-Exempt Organizations

Two organizations were denied tax-exempt status under Code Sec. 501 for failing to operate exclusively for exempt purposes. In the first case, the organization was denied Code Sec. 501(c)(3) status because it failed the organizational test and failed to engage in any exempt-purpose activity. In the second case, organization was denied exemption under Code Sec. 501(c)(3) because the activities were not open to the public and served private interests which constituted substantial nonexempt activities. However, in all the cases, the organizations were denied tax-exempt status because they did not qualify for exemption under Code Sec. 501.

IRS Letter Ruling 202637009, IRS Letter Ruling 202637010

Four organizations were denied tax-exempt status under Code Sec. 501 for failing to operate exclusively for exempt purposes. In the first case, the organization's activities primarily benefited members of a

sorority rather than promoting social welfare. In the second case, the organization's activities consisted primarily of dog training, hunt tests, and field trials rather than charitable or educational activities. In the third case, the organization primarily provided employment-related benefits, collective bargaining, grievance processing, and legal representation to its members. In the fourth case, the organization engaged in substantial advocacy activities concerning zoning, city planning, historic preservation, and legislation. However, in all the cases, the organizations were denied tax-exempt status because they did not qualify for exemption under Code Secs. 501(c)(3) and 501(c)(4).

IRS Letter Ruling 202635016, IRS Letter Ruling 202635017, IRS Letter Ruling 202635018, IRS Letter Ruling 202635019

Whistleblower Proceedings

The IRS Chief Counsel ruled that taxpayers' return information unknown to a whistleblower could be disclosed during the whistleblower's review of an administrative claim in a non-docketed whistleblower administrative proceeding. The ruling was conditioned on the disclosure (1) being relevant to a taxpayer's civil or criminal liability, (2) not identifying a confidential informant, and (3) not impairing a tax investigation. Congress amended Code Sec. 6103(k)(6) to exclude disclosures covered by Code Sec. 6103(k)(13) from Congress' reach.

Chief Counsel Advice Memorandum 202637008